

CITY OF MIAMI BEACH
Office of the City Manager
Letter to Commission No. 257-2005



To: Mayor David Dermer and
Members of the City Commission

Date: October 4, 2005

From: Jorge M. Gonzalez
City Manager

A handwritten signature in black ink, appearing to read 'Jorge M. Gonzalez'.

Subject: CITYWIDE PENSION ANALYSIS

RECEIVED
OCT - 5 AM 9:11
CITY CLERK'S OFFICE

The purpose of this LTC is to provide you with an update regarding the Communications Workers of America (CWA) pension proposals that will be discussed at the October 6, 2005 Finance Committee meeting at 12:00 p.m.

As discussed at the Finance Committee meeting on September 14, 2005, the Administration has made a thorough City-wide review of our numerous pension plans that affect our civilian bargaining units, including the Communications Workers of America (CWA), the American Federation of State, County and Municipal Employees (AFSCME), the Government Supervisors Association (GSA), the non-unionized Classified employees and the Unclassified employees.

This review was done with the goals of (1) being fair to all affected City employees, (2) making the pension plans as similar as possible for all affected employees, (3) maintaining fiscal responsibility and (4) benefiting as many employees as possible. (75% of our civilian employees are currently in either Tier B of the pension system or the 401A plans, a minority of our employees, 25%, are in the Tier A pension system.) Further, of the 225 current members of the Classified Tier A pension, 149 employees (or 66%) are today, or will have reached retirement age within five (5) years.

Since one of the goals is an attempt to equalize the City's five (5) civilian pension plans, it is important to note that it is more expensive to equalize those plans that currently have lower benefits than those pension plans that currently contain richer benefits.

Part of the City proposal includes the merging of the Unclassified and Classified pension systems which will result in administrative and other cost savings to the City.

Attached is the pension information shared with the CWA in preparation for the October 6, 2005 Finance Committee. The pension proposal (attached) is part of a package proposal which includes wages, pension, health insurance and several other contractual items which will be summarized and expanded upon at the Finance Committee meeting. The City pension proposal net cost is approximately \$3.7 million dollars.

The CWA proposal, presented at the September 14, 2005 Finance and Citywide Committee Meeting, equals approximately \$6.5 million dollars; however, this estimate was calculated without accumulating the benefits. The City has requested that the actuary

recalculate the CWA proposal using accumulated benefits so that we will have a direct comparison to the City proposal cost, it is expected that this recalculation will result in a greater, but truer, cost of the CWA proposal.

The City has made every attempt to not only consider the CWA's recommendations for their particular bargaining unit, but to include the interests of all affected City employees in this very important benefit recommendation.

Thank you.

JMG\LG\mr

cc: Timothy Hemstreet, Assistant City Manager
Hilda Fernandez, Assistant City Manager
Robert Middaugh, Assistant City Manager
Trish Walker, Chief Financial Officer
Kathie Brooks, Budget & Performance Improvement Director
Ramiro Inguanzo, Chief of Staff
Linda Gonzalez, Labor Relations Director
Jose Cruz, Budget Officer
Richard McKinnon, CWA President

PENSION PROPOSAL COMPARISON

Public Employer Pension Comparison (page 1 of 2)

Public Employer	Annual Multiplier	Maximum Comparable % Benefit	Vesting	Retiree COLA	Retirement Age	Employee payroll contribution	Retiree Health Benefits
Miami Beach Bifurcation Dates AFSCME 4/30/93 CWA 2/21/94 OTHERS 8/1/93 GSA 8/1/93	Tier A - 15yrs @ 3%, 4% until max Tier B - all years at 3%	90% max benefit - Tier A 80% max benefit - Tier B <u>To achieve</u> Employee works 26.25 years 90% benefit 26.6 years 80% benefit	Tier A - 5 years Tier B - 10 years step vesting (10% per yr)	2.5% compounded	Tier A - Age 50 Tier B - Age 60	10%	City pays 50% (retirees & dependents) Employee eligibility - 401A - immediate (except AFSCME & GSA are 10 yrs) Pension - at retirement age
Miami	3% for all years of service	100% max benefit <u>To achieve</u> 90% benefit If employee worked 26.25 yrs, benefit would be 78.75% <u>Employee works</u> 30 years	10 years	4% - simple	Rule of 70 (age + years of service)	10%	City pays 25% for employee & spouse Emp. eligible - at retirement age
Sunrise	4% (1-10 yrs) (plus 1% @ 10 th yr = 41% - 10 yrs) 2% 11 th yr until max (plus 1% at 20 th yr = 62% - 20 yrs)	100% max benefit <u>Employee works</u> 34 years 90% benefit If employee worked 26.25 yrs, benefit would be 74.5% <u>To achieve</u> 90% benefit If employee worked 26.25 yrs, benefit would be 75%	5 years	No COLA - receive a 13 th check. As of 10/04 - guarantee can be no less than 50% As of 10/07 - 13 th check is a 75% guarantee	Age 58 w/ 5 yrs of sv. Age 55 early (penalty)	8% (unless City's contributions exceeds 14% of payroll, then employees pay 50% of all excess over 14%)	City provides a flat \$200 per month for health insurance (nothing additional for dependents).
Hiataeh	3% for all years of service	75% (max benefit) <u>Employee works</u> 25 years 75% benefit If employee worked 26.25 yrs, benefit would be 78.75% (maxed at 75%) <u>To achieve</u> 75% benefit	10 years	2% (up to 10 years, then no COLA) - Simple	Rule of 70	7%	City pays 100% for employee and between 15%-17% for family Emp. eligible - retirement age
Hollywood	3% for all years of service	81% max benefit <u>Employee works</u> 27 years 81% benefit If employee worked 26.25 yrs, benefit would be 78.75% <u>To achieve</u> 81% benefit	5 years	2% per year starting retirement anniversary - compounded	55 w/ 5 yrs of sv. Or 25 yrs regardless of age	7%	Before 1987 - no contribution After 1987, City pays 100% for employee and \$0 for dependents Emp. eligible - retirement age
North Miami	3% for all years of service	100% max benefit <u>To achieve</u> 90% benefit If employee worked 26.25 yrs, benefit would be 78.75% <u>Employee works</u> 30 years	10 years step vesting step vesting (10% per yr)	1.2% to 3% If an emp waits 1 yr - 1.2% If an emp waits 3 yrs - 2.5% If an emp waits 5 yrs - 3% Compounded	Age 55 with 20 years of sv or Age 62 w/ 10 yrs of sv. Early retirement - Age 55 and 10 yrs of sv or date when you complete 14 yrs of sv.	7%	City does not contribute, employee covers 100% of insurance cost.

Public Employer Pension Comparison (page 2 of 2)

Public Employer	Annual Multiplier	Maximum Comparable % Benefit	Vesting	Retiree COLA	Retirement Age	Employee payroll contribution	Retiree Health Benefits
Fort Lauderdale	3% for first 25 years, 2.5% for next 6 yrs, max of 31 yrs.	90% max benefit <u>To achieve</u> 31 years 90% benefit If employee worked 26.25 yrs, benefit would be 78.125%	5 years	Vary from year to year (adjustments are made on a yr to yr basis with a recommendation from the pension board based on increases above & beyond the actuarial rate) compounded (last increase recvd 2001 - 3.5%)	Age 55 or 30 yrs of service	6%	Before Oct. 2002, City provides \$150/mo to employee After Oct. 2002, City provides \$200/mo to employee (nothing additional for dependents). Emp. eligible at retirement age.
Coral Gables	3% for all years of service	75% (max benefit) <u>To achieve</u> 75% benefit If employee worked 26.25 yrs, benefit would be 78.75% (maxed at 75%) <u>Employee works</u> 25 years	10 years	Rate of plan return must be at least 10% for a retiree COLA. Retiree COLA changes year to year, simple based on CPI - 1.2% (LY)	Rule of 70	5%	City does not contribute, employee covers 100% of insurance cost.
Broward County (FRS)	1.60% for all years (= 48% @ 30 yrs)	100% max benefit Earn 1.60%/yr up to age 62 or 30 yrs sv. <u>To achieve</u> 90% benefit If employee worked 26.25 yrs, benefit would be 42% <u>Employee works</u> 55 years	6 years	3% - simple	Age 62 or 30 years of service regardless of age	0%	County does not contribute, employee covers 100% of insurance cost. *FRS provides a Health Insurance Subsidy (HIS) if eligible for health coverage. Maximum \$150/mo. Employee must apply within 6 months of retirement.
Miami-Dade County (FRS)	1.60% for all years (= 48% @ 30 yrs)	100% max benefit Earn 1.60%/yr up to age 62 or 30 yrs sv. <u>To achieve</u> 90% benefit If employee worked 26.25 yrs, benefit would be 42% <u>Employee works</u> 55 years	6 years	3% - simple	Age 62 or 30 years of service regardless of age	0%	County does not contribute, employee covers 100% of insurance cost. *FRS provides a Health Insurance Subsidy (HIS) if eligible for health coverage. Maximum \$150/mo. Employee must apply within 6 months of retirement.

Comparison of Current Miami Beach Pension Plans (page 1 of 2)

	Police & Fire	Classified Bifurcation Dates AFSCME 4/30/93 CWA 2/21/94 OTHERS 8/1/93 GSA 8/1/93	Unclassified Bifurcation Date 10/18/92	401 (A)
Retirement Age	Rule of 70 or age 50 with DROP plan	Tier A - 50 Tier B - 60	Tier A - 50 Tier B - 60	55
Vesting	10 years	Tier A - 5 years. (any yrs. At age 62) Tier B - 10 years step vesting - 10 %/yr	Tier A - 5 years Tier B - 10 years cliff vesting - 10 yrs to vest	Immediate
Maximum pension Amount	90%	Tier A = 90% Tier B - 80%	Tier A = 80% Tier B - 80%	Contributions and Investment returns (no guarantee)
Pensionable Overtime	Overtime not to exceed 70% of max pay for next highest classification	Tier A - 100% Tier B - 0%	0%	N/A
Retirement COLA	2.5% compounded	2.5% compounded	Tier A - 1.5% compounded Tier B - 1.5% simple	N/A
Service Connected Disability	85% of current extended salary or accrued benefit if higher	Tier A - 75% of FAME or accrued benefit if higher Tier B - 60% of FAME or accrued benefit if higher	Tier A - 50% of FAME or accrued benefit if higher Tier B - 60% of FAME or accrued benefit if higher	66 2/3% of salary to a maximum monthly benefit of \$5000 (max covered salary of \$90,000(per 1992 ordinance as it applies to the 401)

Comparison of Current Miami Beach Pension Plans (page 2 of 2)

	Police & Fire	Classified Bifurcation Dates AFSCME 4/30/93 CWA 2/21/94 OTHERS 8/1/93 GSA 8/1/93	Unclassified Bifurcation Date 10/18/92	401 (A)
Buy back	Age 50 or Rule of 70 (add'l multiplier at 3%, maximum 6%). Employee pays back 10%/yr up to 2 yrs	N/A	N/A	N/A
FAME	Average of two highest paid years + OT not to exceed 70% of max pay for next highest classification	Tier A - Average of two highest years + no cap on OT Tier B - Average of three highest years	Tier A - Last years salary Tier B - Average of three highest years	N/A
Retiree Health	Vested and not to exceed the ave of the straight line % increase in premiums for the City's plans	Vested and City pays 50% (retirees & dependents)	Vested and City pays 50% (retirees & dependents)	CWA & Others - immediate vesting GSA & AFSCME - 10 yr vesting and City pays 50% (retirees & dependents)
Employee Contribution	10%	10%	10%	10%
Partial lump sum distribution	N/A	N/A	N/A	N/A
No pension impact upon promotions	N/A	Not allowed	N/A	N/A
Allow 401A employees to migrate into pension plans	N/A	N/A	N/A	Not allowed

Proposed City Pension Plans (page 1 of 2)

	Classified Bifurcation Dates AFSCME 4/30/93 CWA 2/21/94 OTHERS 8/1/93 GSA 8/1/93 Tier A Post 2005		Unclassified Bifurcation Date 10/18/92 Tier A Post 2005	
Retirement Age	50	55	50	55
Vesting	5 years. (any yrs. at age 62)	5 years	5 years	5 years
Maximum pension Amount	90%	80%	80%	80%
Pensionable Overtime	10% cap	0%	N/A	N/A
Retirement COLA	2.5% compounded	2.5% compounded	2.5% compounded	2.5% compounded
Service Connected Disability	75% of FAME or accrued benefit if higher	60% of FAME or accrued benefit if higher	60% of FAME or accrued benefit if higher	60% of FAME or accrued benefit if higher
Non Service Connected Disability	35%	35%	35%	35%
Early Out	2 year early out	No	No	No

Proposed City Pension Plans (page 2 of 2)

	Classified Bifurcation Dates AFSCME 4/30/93 CWA 2/21/94 OTHERS 8/1/93 GSA 8/1/93 Post 2005		Unclassified Bifurcation Date 10/18/92 Post 2005	
	Tier A		Tier A	
Buy back	2 year buy back (limited)	2 year buy back (limited)	2 year buy back (limited)	2 year buy back (limited)
FAME	Average of two highest years	Average of two highest years	Average of two highest years	Average of two highest years
Retiree Health (Pre 2005)	City pays 50% (retirees & dependents)	City pays 50% (retirees & dependents)	City pays 50% (retirees & dependents)	City pays 50% (retirees & dependents)
(Post 2005)	N/A	Fixed stipend	N/A	Fixed stipend
Employee Contribution	10%	8%	10%	8%
Partial lump sum distribution	Available	Available	Available	Available
No pension impact upon promotions	Available	Available	Available	Available
Allow 401A employees to migrate into pension plans	N/A	Available	N/A	Available

City proposed pension changes	Included in CWA's proposal	Comments
Tier A Classified:		
Buyback prior years service	✓	2 years (gov't/military)
Early retirement program	✓	window – ages 48-49
No pension impact upon promotions	✓	
Partial lump sum distribution	-	up to 25%
10% cap on overtime	-	
Tier B Classified:		
Lower retirement age	✓	age 55
Lower FAME requirement	✓	average 2 years
Lower vesting requirement	✓	5 years
Portability first 5 years	-	
Buy back prior years service	✓	2 years (gov't/military)
No pension impact upon promotions	✓	
Partial lump sum distribution	✓	up to 25%
Decrease employee contribution from 10% to 8%	-	
Allow 401A employees to migrate into pension plan	✓	given full credit for service time; bring full balance
Retiree Health		
	-	post 2005 employees – fixed stipend

CWA PENSION PROPOSAL

COMPARISON (AS APPLIED CITY-WIDE)

- 8/1/05 CWA PROPOSAL (presented to Commission – “Olive Branch”)
 - 9/14/05 CWA PROPOSAL (presented to Finance Committee)
- | | |
|-------------------|-------------------|
| • CWA ONLY: | • CWA ONLY: |
| \$1,602,000 | \$2,258,000* |
| • CITY WIDE COST: | • CITY WIDE COST: |
| \$4,777,000 | \$6,515,963* |

Note: * Not accumulated benefits

CITY PENSION PROPOSAL COMPARISON

(AS APPLIED CITY-WIDE)

- CITY PROPOSAL COST
- CWA ONLY:
 - \$1,178,000
- CITY WIDE COST:
 - \$4,511,289
 - (\$400,000) (projected savings due to plan combining)
 - (\$264,230) (GERS wages – employee contribution reduction 10% to 8%)
 - (\$98,593) (UC wages – employee contribution reduction 10% to 8%)
 - \$3,748,465/year**

CITY PROPOSAL COST - GERS

General Employees Tier A		Amount	% of payroll
Payroll Population		\$12,390,344	
FAME - 2 years		225	
Multiplier - 3% 1st 15 yrs, then 4%; cap of 90%		0	
Age 50 w/5 yrs of service		0	
Service Connected Disability 75% of FAME		0	
100% Vesting - 5 years		0	
COLA - 2.5% compounded		0	
Non-Service Disability 35% of FAME minimum		0	
Not Applicable		0	
Subtotal		<u>0</u>	
2 year buyback (govt/military)		198,703	1.60%
10% Cap on OT <i>Payroll now = 11,553,997</i>		(504,282)	-4.36%
2 year early out(1-time window)*		524,080	4.54%
Total		<u>218,501</u>	1.89%

General Employees Tier B		Amount	% of payroll
Payroll Population		\$12,540,655	
FAME - 2 years		365	0.82%
Multiplier - 3% all years; cap of 80%		0	
Age 55 w/5 yrs of service		564,012	4.50%
Service Connected Disability 60% of FAME		0	
100% Vesting - 5 years		24,223	0.19%
COLA - 2.5% compounded		0	
Non-Service Disability 35% of FAME minimum		0	
Not Applicable		0	
Subtotal		<u>690,445</u>	5.51%
2 year buyback (govt/military)		156,613	1.25%
Decrease Employee contribution from 10% to 8% <i>for new employees, City will refund employee contribution & match it (max 5 yrs). After 5 years, employee is in DB and has no option to get refund total</i>		264,230	2.11%
401-A Pension Changes Uses Grand Total as baseline Scenario 1: 100% migration		<u>7,823</u>	0.06%
Payroll Population		1,119,110	8.92%
Move 401-A into DB under Tier B new members receive credit for all past service, entire account balance transferred to DB		19,555,678	7.69%
<i>annual reduction to eliminate 401A</i>		561	-3.59%
		2,303,411	4.10%
		(799,560)	-0.63%
		1,503,851	11.94%
Net cost of benefit Total from above		<u>(701,502)</u>	-3.59%
Total Cost to City		<u>802,349</u>	6.43%
		1,119,110	8.92%
		1,921,459	15.34%